

WEEK 12

by the Chamber of Deputies on March 30. The Government was finally able to achieve passage of the bills by putting pressure on its absentee deputies to show up for quorum calls. The Atomic Energy Agreement now goes to the Senate, where the administration forces expect a hard fight but eventual passage. (LIMITED OFFICIAL USE)

COMMENT: The opposition has successfully demonstrated that the Government cannot take congressional action for granted, notwithstanding its numerical advantage, and that at times it is going to have to work to pull its forces together. An opposition leader told an Embassy Officer that the MDB would not begin systematic obstruction of all the administration's measures, but that they would attempt to block measures they found offensive. (LIMITED OFFICIAL USE)

3. Complementary Edict No. 8

On March 28 President Castello Branco signed Complementary Edict No. 8, which provides for the appointment of federal interventors in municipalities. Justice Minister Mem de Sá stated that this edict provides for intervention in certain cases overlooked in Complementary Edict No. 5, such as that of recently-created municipalities in which elections of mayors and aldermen cannot be held pending organization of the new political parties. The interventors will exercise both executive and legislative powers. (UNCLASSIFIED)

4. GOB Delivers Note on Guaira Falls Dispute

On March 28 the GOB Ambassador in Asuncion delivered a 41 page note to the GOP in response to the GOP's 26 page note of December 14. The Brazilian note takes a hard line, insisting that the boundary was fully established by the 1872 and 1927 treaties and perfectly demarcated by the Mixed Commission which met between 1872 and 1874; hence there can be no quarrel over where the boundary should be and the Brazilian troops in the area are on Brazilian soil. It rejects the GOP claim that the northern ridge of the Maracaju, which contains the highest point, should be the border by claiming that this ridge is only a spur. The note ends, however, on a constructive theme by proclaiming the GOB's willingness to promote, in conjunction with Paraguay, the necessary plans for the practical utilization, not only of the enormous energy potential of the Salto de Sete Quedas, but also of the possibilities for agriculture and navigation offered by the Paraná River. (UNCLASSIFIED)

COMMENT: So far the note has evoked little reaction here. The only editorial to date appeared in O Globo which praised the GOB for its calm, logical attitude. Despite their hard line on the question of the frontier, Foreign Office officials seem to be sincere in their desire to work out a joint undertaking to utilize the potential of the falls. (LIMITED OFFICIAL USE)

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5. Governor of Espírito Santo Has Second Thoughts

Francisco Lacerda de Aguiar, who went on leave following his acquittal in impeachment proceedings and then sent a letter to the President of the Legislative Assembly renouncing his intention of resuming the office (WEEKA 11), has now sent another letter rescinding the first, and instituted legal proceedings to have his renunciation nullified. His opponents in the assembly are taking steps to block the possibility of his resuming office and the federal military commander in the area was quoted as saying "he will not return to the office he renounced". (UNCLASSIFIED)

COMMENT: Lacerda de Aguiar, whose term expires in January, 1967, is rumored to have agreed to renounce his office in exchange for his acquittal on the impeachment charges, but may now be trying to welsh on the agreement because he wants to run for the Senate in September and needs the governorship as a political base. (LIMITED OFFICIAL USE)

6. City and State of Rio Once Again Flooded

An evening of heavy rain on March 26 proved sufficient to once again flood the Rio area, bringing back the by-now familiar problems of landslides, mud-choked streets, and interruption of public services. As in the more serious "temporal" of January, the cities of Petrópolis (located in a deep valley) and Campos (situated on the broad Paraíba River) in the State of Rio were the most afflicted; newspaper accounts reported 42 deaths and hundreds homeless in Petrópolis, while the large industrial park of Campos probably suffered further losses from the new inundation. The city of Rio endured predictable lapses in transportation and power services during the night, but no death or serious damage was reported to have occurred.

The storm's principal economic effect will be on the treasuries of the States of Guanabara and Rio de Janeiro, which have still not recovered from the crippling losses of the January flood. Guanabara Governor Negrão de Lima has had to allocate Cr\$1.5 billion of his slim resources to the re-cleaning of Rio's streets, and a Federal Government grant of Cr\$3 billion was necessary for the implementation of recovery measures in the State of Rio. (UNCLASSIFIED)

7. GOB Announces Measures to Expand Credit Availability

The decline in credit availability deriving from a complexity of factors (WEEKA 11, item 10) has continued to elicit protest from businessmen in all of the major urban centers of the nation. Various measures recently announced by the monetary authorities (including Finance Minister Octavio Bulhões, who addressed the nation over radio and TV on March 30) may put a more rapid end to such complaints than could otherwise have been anticipated. These measures include the channeling of increased direct and rediscount official working capital.